



THE CITY OF SAN DIEGO **MANAGER'S REPORT**

DATE ISSUED: November 10, 2005 REPORT NO. 05-224

ATTENTION: Public Safety & Neighborhood Services Committee
Agenda of November 16, 2005

SUBJECT: Montgomery and Brown Field Airports

REFERENCE: City Manager's Report No. 05-089 dated April 7, 2005

SUMMARY

THIS IS AN INFORMATION ITEM ONLY. NO ACTION IS REQUIRED ON THE PART OF THE PUBLIC SAFETY AND NEIGHBORHOOD SERVICES COMMITTEE OR THE CITY COUNCIL.

BACKGROUND

On April 13, 2005, the Public Safety and Neighborhood Services Committee (PS&NS) directed the manager to report back to PS&NS regarding the following items:

- 1) An initial plan for the Request for Proposal (RFP) To Operate Montgomery Field;
- 2) Comprehensive report of the airport enterprise fund (including all revenue sources);
- 3) Cost analysis to complete the Heliport;
- 4) Include in the RFP, an option of relocating Fire Station 28 to Montgomery Field and collocating with the Heliport; and
- 5) A certification/letter that states the Airport Enterprise Fund has the revenues to accept the \$1 Million federal grant for the heliport.

On October 24, 2005, Councilmember Madaffer sent a memo to the City Manager requesting a status report on the actions listed above as well as the following additional items; briefing over Brown Field Airport including all leases, FAA Requirements, Financial Status Report and a Report of the Montgomery Field Master Plan update.

DISCUSSION

Action Items Requested By PS&NS On April 13, 2005

- 1) An Initial Plan for the Request for Proposal (RFP) To Operate Montgomery Field Airport (MYF)

The initial plan is to retain the expertise of an Aviation Consultant to complete an objective management and operations assessment of the Airports Division. At the conclusion of the assessment, staff will review the results and determine if a RFP for the operation of MYF is prudent, and if so, under what conditions. Staff has already received input from the Federal Aviation Administration (FAA) regarding placing MYF under the management of a third party. The FAA stated a management agreement with a third party does not relieve the City of our owner obligations as they presently exist between the City and United States Government. The FAA will continue to call upon the City regarding all official airport matters. In addition, the FAA is requesting to review any proposed management agreement to ensure its terms and conditions do not conflict with any grant assurance requirements.

The selection of the firm to complete the Management and Operations Assessment is currently underway, with the objective to 1) measure how operational and business activities are currently being accomplished, 2) compare the airports performance to that of other airports, and 3) recommend best management practices to ensure the airport provides the best customer service at a competitive price. We anticipate retaining the consultant within a couple of weeks and receiving a preliminary report by the end of December 2005.

- 2) Comprehensive report of the airport enterprise fund (including all revenue sources)

Montgomery Field Revenues: Leases, Fees & Interest:

Airport Lease Revenue is revenue derived from airport property leases with projected revenue estimates of \$2,373,578 for fiscal year 2006. These revenues make up 57% of the total revenue (\$4,164,858) to be received this fiscal year. As of October 31, 2005, actual lease revenue received was \$684,789.

Airport Fee Revenue consist of revenue received from aircraft parking fees, landing fees, vehicle and transient parking fees and fuel flowage fees. The projected revenue from airport fees is \$348,536 and interest of \$150,000 which is approximately 12% of the expected fee revenue for fiscal year 2006. As of October 31, 2005, actual revenue from airport fees received was \$119,401.

Montgomery Field Expenditures:

Budgeted expenditures for FY06 are \$1,737,734. As of October 31, 2005, \$498,442 (29%) has been expended.

Brown Field Revenues: Leases, Fees & Interest:

Airport Lease Revenue is revenue derived from airport property leases with projected revenue estimates of \$976,639 for fiscal year 2006. These revenues make up 23% of the total revenue (\$4,164,858) that the airports division expects to receive this fiscal year. As of October 31, 2005, actual lease revenue received was \$220,616.

Airport Fee Revenue consist of revenues received from aircraft parking fees, landing fees, vehicle and transient parking fees and fuel flowage fees. The projected revenue is \$166,105 and interest of \$150,000 which are approximately 8% of the expected fee revenue for fiscal year 2006. As of October 31, 2005, actual revenue from airport fees received was \$62,919.

Airport Expenditures – Brown Field

Budgeted expenditures for FY06 are \$1,386,780. As of October 31, 2005, \$309,917 (22%) has been expended.

3) Cost analysis to complete the Heliport

The total project cost is \$1,535,700 of which \$350,000 is for design and \$1,185,700 is for construction. A detailed construction cost estimate is included as Attachment 1. The project includes a landing area, three helicopter parking spots, an entry road and a vehicle parking area. We expect to begin construction in February 2006 with a scheduled completion in the Spring of 2006.

4) Include in the RFP, an option of relocating Fire Station 28 to Montgomery Field and collocating with the Heliport.

On July 25, 2005, the FAA informed the City that it had evaluated the proposal to relocate the Fire Station but could not approve the proposal (See letter dated July 25, 2005, Attachment 2).

The following summarizes the reasons given by the FAA:

1. The City is obligated to use the airport for aeronautical purposes. The Fire Station represents a non-aeronautical activity that does not need to be located at an airport to perform its duties to the City.
2. MYF is a general aviation airport that is not obligated by federal regulations to maintain an aircraft rescue and firefighting capability.
3. The Fire Station can presently gain access to the airport through an airport entrance gate.
4. MYF is a busy general aviation airport that has little available land for aeronautical development.
5. The heliport at MYF is being built with FAA grant funding. Therefore, the new facility must be available for public use on reasonable terms and without unjust discrimination for aeronautical purposes.

On October 12, 2005, City Staff met with FAA Representatives to discuss airport management issues and accomplishments at both airports. During this meeting, staff again requested the FAA consider the proposal to relocate Fire Station 28 onto MYF. The FAA reiterated their

position that they do not concur with the City's proposal to relocate the Fire Station to the northwest corner of the airport. However, the FAA was open to reviewing alternative sites if the City could show significant benefits to the airport.

- 5) A certification/letter that states the Airport Enterprise Fund has the revenues to accept the \$1 Million federal grant for the heliport.

The Auditors Office issued a memo stating that as of June 23, 2005, the Airports Enterprise Fund has sufficient available funds to accept the \$1 million federal grant.

Montgomery Field Airport Master Plan Update:

The current airport master plan for Montgomery Field Airport was adopted by the City in 1984. The technical work for the draft Montgomery Field Airport Master Plan Update (Final Report, August 2004) has been completed, and submitted to Development Services for processing. It was determined that an old Vernal Pool Restoration Project had to be reactivated before the Plan could move forward. The Vernal Pool Restoration Plan was a condition of the Montgomery Field Runway extension project. A contractor was retained and has submitted a work plan for a two phase project. The first phase involves obtaining permits and plan approvals from the U.S. Fish and Wildlife Service and Army Corps of Engineers. The second phase consists of restoration of selected vernal pools that were either damaged in the runway construction or are of low quality, and has to be done in the dry season. Upon completion of the restoration project scheduled for Spring of 2006, the Master Plan Update will continue and be presented to the Mayor and City Council for adoption.

Montgomery Field Airport Leaseholds

Montgomery Field Airport has twenty-eight revenue generating leases and 10 additional non-revenue leases such as FAA navigation aids and the air traffic control tower. Of the revenue generating leases, 18 are aviation related and ten are non-aviation uses such as Casa Machado Restaurant and the Police Department's Eastern Division. One of the larger aviation leases will expire in 2007 and another has expired. The expired lease, Gibbs Flying Service, has been placed on holdover status for a minimum of one year. On August 4, 2004, the LU&H Committee authorized the City Manager to issue a Request for Proposals ("RFP") to redevelop the southwest portion of the airport. Square One Development was selected, and has made two presentations made to the Airport Advisory Committee (AAC) regarding the proposed development. This process is ongoing until an acceptable development proposal is presented. After the review and comment period is complete, the project and associated lease will be forwarded to City Council for approval.

Briefing over Brown Field Airport including all leases & FAA Requirements:

On June 8, 2004, the FAA conducted a land use inspection and notified the City that it was in non-compliance with FAA grant assurance requirements. The FAA outlined a corrective action plan indicating if non-compliance continued, it might initiate action to enforce the grant agreements. City Staff is working closely with the FAA, Airport tenants, Airport Advisory Committee (AAC) and others to resolve the non-compliance land-use issues.

On October 14, 2005, the FAA acknowledged the City's progress in correcting compliance shortcomings at Brown Field and restored the City's grant funding eligibility. The FAA requested that the City continue with our corrective action plan to eliminate inappropriate non-aeronautical uses from the airport as quickly as possible.

Brown Field Airport Leaseholds

There are currently 23 aviation-use lessees and 7 non-aviation lessees at Brown Field Airport. Three new leases are currently being negotiated; Air Mobile Unit of Homeland Security – Customs and Border Protection, the San Diego Flight Museum and the Experimental Aviation Association. Two non-aeronautical lessees will be leaving the airport. The Customs Broker has been requested to vacate its premises in the terminal by November 27, 2005, and Organic Recycling West's lease is scheduled to terminate on November 30, 2005. Two evictions are being handled by the City Attorney's Office, with the assistance of the San Diego County Sheriff, to remove the remaining non-aviation sub-lessees from the former Rowland and Paladin leaseholds.

On May 10, 2005, the AAC created a subcommittee to review and make recommendations to the AAC regarding both Airport's RFPs and leasing practices. Since its creation, staff has met frequently with the subcommittee, including its individual members and provided considerable amounts of information and documentation. The subcommittee will present its findings to the AAC in January, and a subsequent recommendation from the AAC is expected shortly thereafter.

CONCLUSION

On July 1, 2005 the Airports Division moved from the Real Estate Assets Department to the General Services Department. As part of this change, the Airport Division will be undergoing a comprehensive review of its management and operational practices. Montgomery and Brown Field Airports are valuable assets to the City and have a tremendous amount of potential. City Staff working in partnership with the AAC, our tenants our neighbors adjacent to the airports and other stakeholders will make every effort to develop, manage and operate top quality airports. It is imperative the City develop sound planning documents for the airports and continue to strengthen our relationship with the FAA.

Respectfully submitted,

Mario X. Sierra
General Services Director

Approved: Larry Gardner
Acting Deputy City Manager

SIERRA/TM

Attachments:

- [1. Montgomery Field Airport Construction Cost Estimate](#)
- [2. Montgomery Field \(MYF\) Fire Station 28 and Airport Management Proposals](#)